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Member Relations Conference

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Midwest Region
Denver, Colorado
May 2, 3, 4

Sponsored by
Farmer Cooperative Service
U.S. Department of Agriculture
and
American Institute of Cooperation

FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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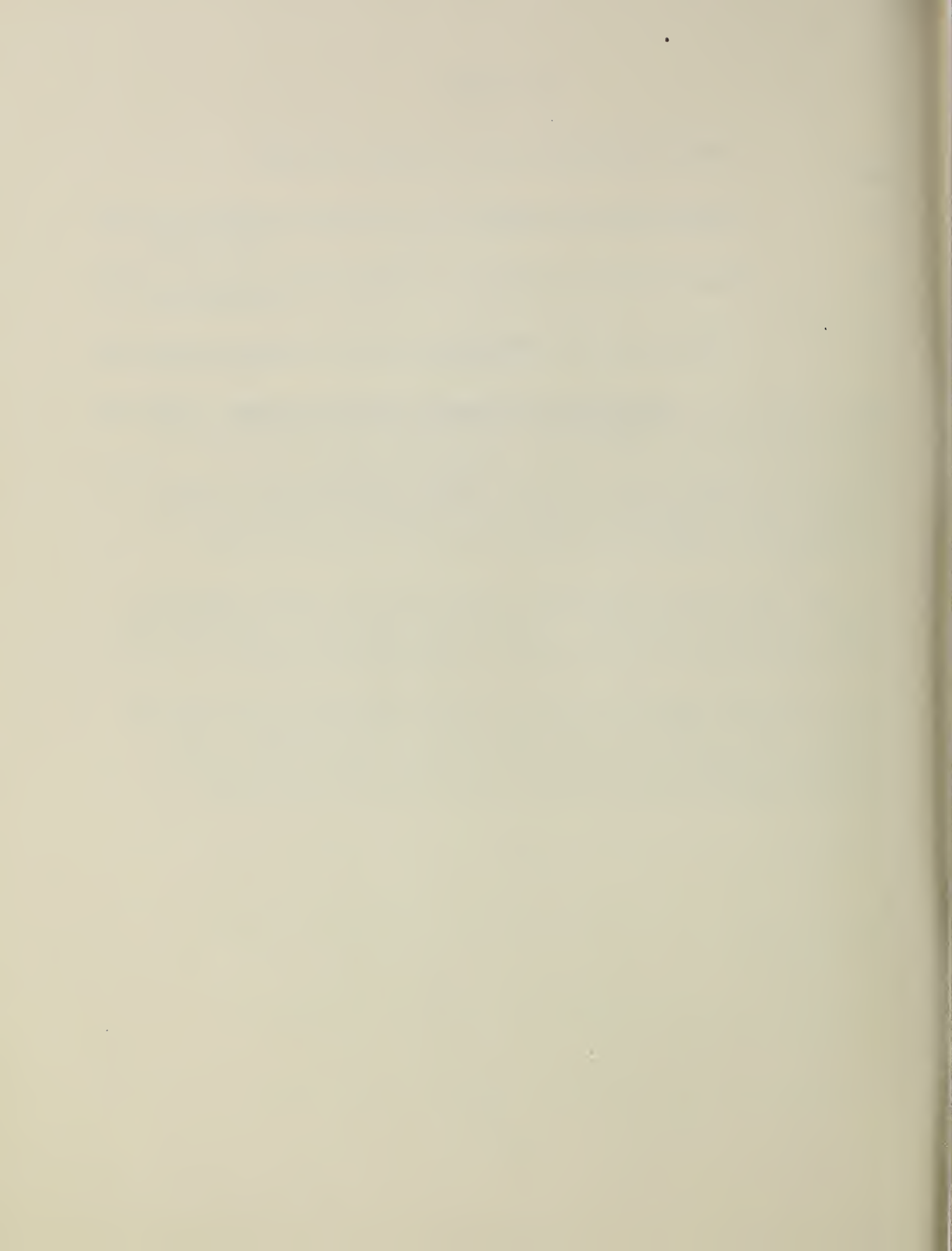
FOREWORD

This conference is the fourth in the Midwest area of a series being conducted on a regional basis throughout the United States.

Sponsored jointly by Farmer Cooperative Service and the American Institute of Cooperation, the purpose of the conferences is to bring together for an exchange of ideas and techniques men and women who are professionally engaged in the general field of cooperative member relations.

In some cases, these participants are employed full time in cooperative member relations activities. In other cases they are men and women who, while employed in some other capacity, have developed an effective member relations program as a part of their overall work assignment.

One of the most important features of these conferences is the give-and-take of ideas during the discussion periods. Unfortunately, it is not possible to include these discussions in this report. However, the following speeches will serve to give readers an idea of the type of material covered at this conference and at others in the series.



SESSION I

Thursday morning, May 3, 1962
Chairman: Roy E. Smith

LOOKING AHEAD

Comments

Roy E. Smith

The discussion this morning will be devoted to Looking Ahead in Agriculture. The members of the panel will discuss the shape of things to come in agriculture and the value of marketing contracts with members. This is an attempt to forecast and point the way to better service to our members and a richer, fuller life for all of us.

In trying to analyze some of the problems facing agriculture and especially dairy cooperatives today, it is rather difficult to say which one of its many problems would be the greatest. However, it is our belief that membership relations stands close to the top in importance in the management of a successful cooperative.

Looking ahead is, of course, much more difficult than looking behind. If our foresight was as good as our hindsight, there would probably be no necessity for this discussion. A lot has been done in the past to improve membership relations. There is still a lot to be done, however, in the future. Many of us have tried to solve the problem by employing well-qualified public relations people, and this is good, but they are not the total answer.

Hiring a staff is merely one step in a membership and public relations program. First we must give them something to sell. It is our belief the best way to improve our relations with our members, processors, and the consuming public lies in the performance of the cooperative itself. A cooperative cannot afford to allow itself to be portrayed as grasping, selfish, and indifferent to the public welfare.

A cooperative must be aggressive in all of its endeavors--in the market place and especially at the bargaining table. Too often, we follow the line of least resistance, letting the government set the program. Agriculture in this country of ours is big business, and I am convinced we have within agriculture itself, the brains and the know-how to solve our problems.

The challenge today to agricultural producers in this Nation is: Are they going to equip their cooperatives with the necessary tools to explore and develop new markets for their product, or are they going to let other industry do the job for them?

If cooperatives are to become the leaders in developing new markets, certain basic requirements must be met. First, the cooperative must have the unyielding loyalty and support of its membership. Second, the cooperative must be adequately staffed with properly trained personnel. Third, the cooperative must be large enough from the standpoint of location, volume, and financial reserves to withstand the competitive pressures it will face.

Individual farmers working separately can accomplish very little in the market place. Likewise, individual cooperatives are limited in their accomplishments. But by working closely with other cooperatives in the same field either by federated efforts or a consolidation program, all cooperatives may benefit.

The time is past due for agricultural producers and their cooperatives to put aside their individual jealous attitudes and undue pride and look, plan, and work diligently toward the betterment of all.

The Shape of Things To Come in Agriculture

Gordon Leith

One of the greatest success stories in the world is the story of the American farmer. It is a story of a magnificent contribution of an ample supply of relatively inexpensive and high quality food for the American people.

Agriculture is one area in which we have a decided advantage over the Communist world. The Communists are trying to catch up in food production, but it looks as if they are falling farther and farther behind.

A few weeks ago the Kansas City paper carried a story of a 7-hour speech Nikita Krushchev made to the Central Communist Committee. It was a speech on food production and the need to step it up in the Soviet Union. Reports coming out of Cuba and Red China tell the same story. The food problem of the Communists makes us realize how valuable our American system of agriculture is, and what a "good problem" we have with farm surpluses.

Before discussing my assigned topic, namely The Shape of Things To Come in Agriculture, let us see where agriculture stands in relation to the rest of the economy today.

1. Agriculture is becoming a smaller and smaller part of our total economy.

At the present time only about 9 percent of our people live on farms. In the general area in which CCA operates, the great agricultural Midwest, and the Plains area, we estimate about 20 percent of the people live on farms. This low percentage of farmers has many implications. On the one hand, it means that farmers' political power is decreasing. It also means that what happens in agriculture has less and less effect on the total economy.

At one time we were afraid that a depression in agriculture would pull down the rest of the economy; however, events of the last 10 years have proven this untrue. Agriculture has been suffering from low income, but we have experienced considerable overall growth in our economy at the same time.

We have been taught that agriculture is basic, but is it as basic as we think? For instance, the sales of five industrial giants in the United States--namely, General Motors, Standard Oil Company of New Jersey, Ford, General Electric, and U. S. Steel--total about the same as the sales of all of the millions of farmers in the United States.

The case is made that farmers are large purchasers and are therefore proportionately more important. The five corporations that I listed above are also large purchasers of equipment and supplies.

2. Farmers are not sharing the prosperity and growth of the rest of the economy.

Farm income on a per capita basis is about one-half per capita nonfarm income. This is also true on a per family basis. In the past decade, average wages of factory workers have increased 53 percent; during the same period of time the average income of farm workers has increased only 29 percent. In other words, there is a gap between the income of farm people and nonfarm people which is not being closed.

I should hasten to point out, of course, that averages tend to hide many things. There is a vast difference between individuals. Some farmers are doing relatively well, and others are doing poorly.

3. Agricultural surpluses are bulging out in many places.

We are faced with large surpluses of wheat, feed grains, and milk, to mention the three most prominent. Our surpluses are far higher than we need for any reasonable reserve stock for emergency purposes.

Some of the crop surpluses are being shifted over to the livestock sector of our economy and we will see in the future mounting supplies of pork, beef, and eggs. Many of you are familiar with the situation in turkeys last year when production shot up about 26 percent and many growers lost \$1 a bird.

Some agricultural economists estimate surpluses on an overall basis as about 8 percent of production at present. This is forecast to rise as high as 12 percent if we do not have effective farm programs.

These surpluses are something that are not temporary or transitory in nature. They are basic. We are faced with a situation of excess capacity in agriculture.

4. Agriculture's public relations is in the doghouse.

There is a great deal of misunderstanding on the part of the public as the problems of agriculture. Many leading publications refer to "the scandalous farm program." They talk about farmers being at the "subsidy trough." It is ironic to note that some of these magazines are the biggest benefactors of a subsidized socialized mail service. Maybe we are not good salesmen in telling our story.

5. Agriculture's own house is badly divided.

I do not need to elaborate on this at length, for we are all too well aware of the state of affairs. Farm organizations are miles apart on many issues and they often confuse Congressmen and the public. Even farmers themselves are far from unanimous in their ideas about approaches to their problems.

Recently over lunch in southeast Kansas I talked with four honest-to-goodness above-average farmers about farm policy. They expressed three main opinions:

1. "We don't want more controls, but we may have to have them."
2. "Once we get controls it is hard to get rid of them."
3. "Other parts of our economy get large subsidies."

These points were well discussed, but collectively the group arrived at no decision. This is probably typical of the confusion that exists among farmers.

This overall inventory of where we stand today sounds quite gloomy. Maybe I have emphasized the negative side too much. It does indicate that all of us working in the agricultural field have a big job ahead.

So much for the present situation. Now let's take a look ahead at the shape of things to come.

Farm Programs

What about the shape of things to come in farm programs?

What can we do about the surplus problem in agriculture?

This is the basic problem of commercial agriculture and it has defied some of the best brains among agricultural economists and agricultural planners. Far be it from me to come out with a nice tidy answer, but I would like to make a few quick comments.

It seems to me we have five main alternatives to consider:

1. Eat up the surpluses.
2. Export them.
3. Convert them to industrial uses.
4. Take off all controls and let supply and demand rule.
5. Produce less.

Regarding the first alternative, it would be impossible to eat up our surpluses. Actually, as incomes go up, total food consumption changes very little. There is some shift, of course, among types of foods. We have tried food stamp plans, school lunch programs, and relief programs, but none of these as yet has made much of a dent in surpluses. We should do all we can, but I do not believe this is the answer.

Exports, of course, should be pushed to the limit. Our whole agricultural economy is geared to exports of about \$4.9 billion out of a total production of some \$34 billion, or \$1 out of every \$6. Farmers have a vital stake in the discussions going on at present regarding trade liberalization, especially with common market countries.

While export programs can help--and again we should use them as much as possible--they will not solve the problem of surpluses.

Regarding the third alternative of industrial uses, I feel that this again offers some help, but certainly not the solution. It is the favorite solution of Congressmen because it doesn't cost too much and nobody is hurt.

When we get down to basic facts, however, we find we can produce alcohol from petroleum much cheaper than we can produce alcohol from grain, to use one example. The industrial use program nibbles around the edge of the tremendous surplus problem--it does not solve it.

The fourth alternative of throwing all the controls out of the window will work--there is no question about it. It is a rather drastic approach, and I think we need to consider the consequences.

Four research studies have been made recently showing the effect of this approach. One of them, for example, the Iowa State study, estimates that cattle prices would drop to about \$11.51 and hogs to \$10.80 with no controls of any kind.

This solution is one that is easy to talk about, but do we really want it? Do we want to throw agriculture into a long period of depression and

readjustment, which means a lower standard of living for farm families, less education for farm children, less of the comforts of modern day living? Frankly, gentlemen, I don't think we do.

The last alternative, then, is to produce less. In approaching this idea, we need to examine the surpluses we have in agriculture. We have a surplus of people and we have a surplus of land. Of our 3.5 million farmers, only 1.5 million produce 87 percent of the total production. They could very easily produce the other 13 percent that is now produced by the other 2 million farmers.

Walter Lippman has pointed out that we are faced "with the brutal fact there are too many farmers..." The problem is less acute in the area in which we live, the great agricultural Midwest, than it is in some of the other sections of the country.

This means that we need to do everything we can in these areas to encourage the orderly exit of farmers from agriculture. Actually, when you stop to think about it, many people get into agriculture by the accident of birth. They happen to be born on a farm, and they stay there.

So much for the surplus of farmers. Now how about the surplus of land?

In other segments of our economy, production is geared to the level of sales, whether it be steel, automobiles, or ladies' hose. Agriculture is unique in that there are several million producers with each producer accounting for a minor part of the output. This means that it is to the advantage of each farmer to produce as much as he can. It means, also, that voluntary methods of production control are exceedingly difficult to put into effect.

None of us likes controls, but I believe that in some cases controls--and rather rigid controls--are necessary as a last resort. I believe that we should refrain from controls in the livestock sector of our economy as long as possible. We could run into some problems much more complex than crop controls.

Farm Operations

I would like to comment on some of the changes I see ahead in individual farm operations, or the shape of things to come in agricultural production.

There is no question that the average size of farms is going to continue to increase. This has been so well discussed that I need only to make passing reference to it. Also, we will see a great deal more specialization than we have had in the past. The trend is clear. The general purpose, Jack-of-all-trades farmer is a thing of the past.

In the future, we will see a considerable step-up in the quality of farm products. Farmers have been producing largely what they want to, when they want to, and have been taking what they can get for it. This will change in the future. There will be a steady trend toward higher quality products and production timed and geared to the demands of the market.

The problem of capital accumulation in agriculture will continue. This will come about because of expanding farm size and the increasing need for fixed capital for land, buildings, and machinery, plus the need for seasonal operating capital. The problem is compounded by the fact that most of our farming is done on an individual ownership basis, which means a turnover in the assets once every generation.

We will see greater mechanization in the future and the big trend will be in the mechanization of production of animal and poultry products. However, in the case of crop production we can still make improvements. For instance, we need more efficient machinery--machinery with fewer breakdowns--and we need in many cases to change the size and shape of fields for more efficient production.

Farmers' expenditures for production supplies--such as fertilizer, formula feed, insecticides, and modern buildings--will continue to increase.

We will see more farm production of an integrated or contract nature. The spectre of integration loomed brightly 3 or 4 years ago when the broiler story began to unfold in the public press. Since then things have become somewhat quieter. I expect in the future we will see a steady but slow trend in the direction of more integrated type programs because given competent management there are inherent possibilities for greater efficiency. The rate of development and type of program will vary greatly by product.

I believe that the family-type farm is here to stay for the foreseeable future, but it will be a different type of family farm than we have had in the past. We should not equate in our minds the concept of the family farm with a small uneconomic unit.

Lots of room still exists for increases in efficiency in agricultural production. A scientist at the University of Illinois says that a farmer going from 25 to 65 dairy cows can increase his income more than 170 percent.

U.S. average production of milk per cow per year is about 7,200 pounds today. Good commercial operators can get up to 14,000 pounds and records have been established at much higher levels.

Good commercial operators also are producing about 30 more eggs per hen per year than the average farmer. Similar figures could be cited on crop production. We all know it is not unusual to produce 100 bushels per acre of corn, but the U.S. average is still about 62 bushels. The drive for greater efficiency intensifies the surplus problem.

Cooperatives

I would like to conclude this discussion with a few comments about cooperatives. Where do they fit into the picture in the shape of things to come in agriculture?

I believe that they have a definite role to play, but if they are to achieve the full fruit of their possibilities they need to be cognizant of the changes that are coming in agriculture. Board decisions and management decisions must recognize these changes. Member relations work to be effective must be geared to the new type of agriculture and the new type of farmer. What can cooperatives do?

In the first place, cooperatives can give farmers a greater amount of bargaining power in the marketplaces. This can result in better prices for products bought. Also, as cooperatives move vertically up the integration ladder, they can add margins in manufacturing as well as distribution to farmers' incomes.

Patronage refunds of cooperatives can make a definite contribution to farm income. Last year the refund from Consumers Cooperative Association was 6 percent of sales. In one county in Iowa, the total amount of cash paid out by CCA from current earnings and cash revolved out amounted to \$170,000. This was equal to \$70 for every commercial farm in the county. Savings from regional cooperatives combined with savings at the retail level can mean rather substantial additions to farm income.

I stated that I expected we would see more integrated programs coming to the fore in the future. We have a definite challenge to do more of the integrating through cooperatives. In this way integration will develop for the benefit of farmers, but not at their expense.

I believe that the surplus problems we face in agriculture today are not something that cooperatives can solve--especially in products that are grown over widely scattered areas by hundreds of thousands of farmers. In the long run, however, as the number of farmers decreases, it will become easier for farmers to work together voluntarily through their cooperatives on surplus problems. Some day it may be possible that farm programs will be developed around a cooperative core. This sounds Utopian at this time, I will admit, but many things can happen in the next 10 years.

For cooperatives to move forward, we need to stress the responsibility of members to their cooperatives. We need to stress the value of patronage, the necessity of contributing capital, and the necessity of being active in the affairs of the cooperative.

I think, generally speaking, we need fewer faint-hearted cooperatives, more cooperatives that are progressive and willing to move out and do things on a soundly planned basis.

We need a tremendous dosage of director training and manager training.

Maybe we have been rather short-sighted in our views on refunds. We have

been endeavoring to pay back refunds as rapidly as possible. Maybe we need to slow this down a little bit or actually decrease refunds and spend more on such things as research. This will help assure our long-run growth.

We may think that about everything has been tried in the field of financing cooperatives, but I dare say there are new ways that will be explored and developed.

I think we need to move in both horizontal and vertical directions in our marketing activities. We have stopped too often at the first step of marketing--namely, country point marketing, or in some cases, terminal marketing--but we have a challenge in the field of processing. This is true of livestock and also grains.

Agriculture is facing many changes in the future. We have many problems, but they will not be solved by looking at them through rose-colored glasses or sitting back and wishing they would go away. I think by all of us working together, discussing our problems, chipping away at them, and trying to arrive at sensible solutions in a dispassionate way, the result will be further progress for American agriculture in the years ahead.

Despite its problems, we should be proud to be associated with this great food production industry, which has made such a magnificent contribution in building America.

Can Marketing Contracts Strengthen Member Loyalty?

Yes - We Need Them

Bernard Marquiss

Can marketing contracts strengthen member loyalty to our cooperatives?

It is my good fortune to be able to take an affirmative position in behalf of our association. However, the word, loyalty, bothers me just a little since we feel that in Indiana, at least, the number of co-op patrons who stick with us through thick and thin out of loyalty is diminishing swiftly.

We feel in order to maintain strong vigorous co-ops in the United States today much more than loyalty is involved.

Selling ourselves, offering more efficient service, and keeping abreast of the farmers' changing wants and needs--added to assisting the farmer in production of what the consumer demands--must supplement and nurture that most desirable quality called loyalty.

Now may I first of all tell you the reason we in the Hoosier State began looking into the marketing contract program?

The southern quarter of our State is for the most part quite rolling with the result that few feed grains are produced in this area. Therefore the business of producing feeder pigs has been widespread in this section for a number of years. Unfortunately the quality of these pigs has been poor. Only within the past 4 or 5 years has much improvement been made along those lines.

Naturally the farmer did little toward improving quality as long as he felt he was not getting reimbursed for his work.

There were no regular market outlets, and too many jockeys and dealers made a practice of living off the farmers' plight when demand and prices were high. Of course when the cycle swung the other way the farmer could scarcely give away his pigs! Since only a small amount of feed grain was available, these pigs had to be moved from the area for feeding to market weight.

On the other hand, however, the central half of the State is primarily a corn-producing area and the purchase of feeder pigs has been on the increase by farmers in this section.

A number of farmers had indicated they were interested in purchasing good quality pigs--some as often as six or eight times a year--at a higher than average price provided quality and supply could be guaranteed.

A great number of these farmers, both the pig producers and the men who purchase them as feeders, were patrons of both Producers Marketing Association and the Farm Bureau Co-operative Association. Therefore it was logical that these men turn to their marketing and supply co-ops for help in solving some of these problems.

We had been assured by the packing industry that if we could furnish a steady annual supply, they would be willing to pay an increased differential over the regular market price of No. 2 or average hogs. Both the slaughterer and retailer would set up their merchandising on the basis of quality. The consumer will pay several cents a pound more for top quality pork. But she MUST be able to buy it consistently.

Over the past years, Indiana Farm Bureau Cooperative Association research has developed feeding programs for various stages of swine production. These programs have increased the rate of gain and the pounds of pork produced per pounds of feed. They have also determined the various levels of additives that should be used for the most economical job of producing pork.

Marketing and supply co-ops in Indiana have nourished a close working relationship with Purdue University, to the everlasting benefit of farmers.

We consider this of paramount importance to the success of a number of our programs.

These, then, were some of the reasons and some of the previous programs that fostered our Marketing Contracts or Agreements with farmers in Indiana. Let us then briefly take a look at them. The No. 1 agreement is called the "Production and Marketing Agreement." Both are entered into between the farmer and Producers Marketing Association, Inc.

In this agreement the primary requirements are:

1. Use of certified meat-type tested boars, optional breed.
2. Maintenance of herd of at least 10 sows, of acceptable quality.
3. Following Farm Bureau Co-op feeding program with supplements purchased from the co-op.
4. Use of a sanitary program of clean lots, farrowing houses, and the like.
5. Marketing of pigs through Producers Marketing Association as soon after 40 pounds weight as possible (or the farmer may elect to go ahead and feed them out).
6. PMA, Inc., agrees to secure outlets at not less than the going market price.

In actual practice, we have been \$1 to \$2 a head over average market price. We may not reach peak price, but neither do we go as low as the bottom of the cycle.

No. 2 is called the "Feeding and Marketing Agreement." This is for the man who purchases feeder pigs to take them on to market weight, preferably 190-215 pounds. He, too, must use Farm Bureau Co-op supplements and market his hogs back through Producers Marketing Association, Inc. He may select any market day he desires. He will usually work very closely with his Producer hog salesman, however, to hit a good strong market. His hogs will be live graded with the Tend-R-Leens or No. 1 hogs bringing a 50 cents per hundredweight--differential over the regular market.

In practice, our market men see these pigs at least twice while they are on feed, always within a day or two after delivery and again when it is time to make the first sort for market. The local co-op feed man usually sees them several times.

We bring the Production Credit Associations into this program, also, if the farmer has a need for additional financing.

The management service extended in the program has been another big factor in its success to date. Although we did not consider its importance in our original thinking, we find that our patrons are enthusiastic about this help. The services include aid with feeding and health and sanitation, and assistance in breeding, selection, and marketing from Producers.

We believe most of the 40,000 livestock marketing patrons of producers Marketing Association have a lot more management knowhow than they are actually putting to use. By having one of our men visit patrons and discuss these various points, we find patrons put more of them to use.

In 1961, the second full year of this program, 21,000 feeder pigs were marketed under agreement. When we consider that Indiana imports some 600,000 feeder pigs a year, in addition to those produced in the State for resale, you can see we still have a lot of room to grow. As an indication of the acceptance of the program, the pigs being produced have been spoken for by feeders several months before the sow has been mated--in fact from 6 to 9 months in advance most of the time.

I would summarize our program of marketing contracts in this manner: We have farmers producing feeder pigs, whose quality and market outlets formerly have been poor. We also have farmers wishing to purchase feeder pigs who would like a more consistent supply with improved quality. PMA has a great need, in the marketing program of fat hogs, for a larger volume of meat type hogs 52 weeks a year. Indiana Farm Bureau Cooperative has the knowhow on feeds to produce these hogs more economically. Therefore, what is more logical than all of these people working in a program for the same goal. The program helps to solve some of their own problems, and at the same time puts more profit back in the farmer's pocket.

So far as our agreements are concerned, we feel that every game must have a set of rules and that this is all agreements are--just "Rules of the game."

Can Marketing Contracts Strengthen Member Loyalty?

No - We Don't Need Them

Pius Hostetler

Our panel subject is Can Marketing Contracts Strengthen Member Loyalty? Since the cooperative I represent does not use marketing contracts, I have been asked to discuss the negative side of the subject.

From my standpoint it is a good thing that I was asked to take part, since it forced me to carefully study and evaluate reasons why we do not use marketing contracts with our members, and determine if our practice needs to be changed to bring us up to date.

First of all, we must consider what we are trying to accomplish with our cooperatives. Why were they organized? What are they trying to do for members? There are three types of farmer cooperatives: Supply, bargaining, and marketing. Supply cooperatives furnish the member things he needs, such as gas and oil, fertilizer, feed. A bargaining cooperative is one that normally

bargains for the sale of a product its members produce. In some instances bargaining cooperatives may handle the product, but in most instances they do not.

A marketing cooperative markets the products of its members. This type of cooperative actually handles the product and usually performs some additional service such as grading, storing, processing, and distribution.

These different types of cooperatives are confronted with different problems. Bargaining associations may never actually take physical possession of the products with which they are dealing. The supply and marketing cooperatives actually have physical control of the commodities with which they deal. I will readily concede that any organization that does not handle a member's product has a different problem from one that does.

Let's stop and consider reasons why these three types of cooperatives are organized. There are three. First, and probably the strongest reason is to make more money for members, second, to give members better service than they can get elsewhere, and third, to perform some service that members cannot obtain elsewhere. Unless a cooperative performs one or more of these three functions, there is no reason for it to exist.

We, therefore, logically must assume that any successful cooperative either makes its members a profit, gives better service, or renders a service members could not get elsewhere. As long as it fulfills any of these purposes, why shouldn't the member be loyal to and use his own organization? He should be loyal to the organization not because he might have a contract that says he must, but because he wants to, and he wants to because it is giving him something he wants.

My experience has been primarily with dairy cooperatives. In areas where there are Federal Market Orders, cooperatives are usually bargaining associations. This is true in the Wichita, Kansas, area in which our plant is located. The producers' association in the area is a nonstock cooperative and has always used marketing contracts with its members. Our own cooperative is a marketing organization and has never used member contracts.

About a year ago all of our member Grade A milk producers were asked also to become members of the producers' association. This they did by signing membership agreements, which served as marketing contracts. The reasons for this are many--mainly to afford basis for better cooperation between plants--but presently these producers are members of both organizations. The producers association is now working on becoming a stock company. When that happens I do not know what their attitude will be toward marketing contracts. Our agreement with the producers' association provides that our organization will continue to handle its milk. We have found that producers maintain their loyalty where their product goes.

Producers of highly perishable products may be somewhat different from others, and milk is a highly perishable product. The dairy farmer has to sell his product daily. In most instances the milk is picked up at his farm. In addition to having to move it quickly to maintain quality he doesn't have facilities to hold more than 1 or 2 days' production. The service in connection with the selling of this milk is important to the producer. Consequently, if the price is competitive and the service is good, the producer does not often change markets. This applies whether they market through their own cooperatives or sell to independent outlets.

Small producers of cream and eggs are more prone to switch than larger producers. Frequently this is done in order to obtain some immediate cash, rather than wait on the regular settlement from the cooperative. In general, those producers are not the kind of members that make or build a sound cooperative.

I do not believe that the signing of marketing agreements would make those producers better members or cause them to be more loyal. Producers will be better members and more loyal if their cooperative makes them more money, gives them better service, or provides a service that they cannot get elsewhere. But it is necessary that they realize the cooperative is doing these things for them. It is important for cooperatives to have a good member relations program, so that members will be kept informed as to what is being done.

Member loyalty has to be earned. It cannot be obtained in any other manner. It might be possible to force a producer to market his products through his cooperative for a short period of time by having him sign a marketing contract; but surely we could not call that building member loyalty--or even good business. No contract has ever been written that cannot be broken.

The point I want to stress is that you cannot use a contract to force an individual to be loyal to something he would not be loyal to without a contract. We have a number of cooperative employees at this meeting. I wonder how many have written employment contracts. Are those of you who do have contracts more loyal to your cooperative than you would be if you were working without a contract? Or were you placed in your present position because you took that extra interest in your job and did more than was asked of you? I know of no one who has ever been placed in a position of responsibility with a company because of an employment contract.

If a producer is interested in his cooperative and it is doing something for him, he will make a good loyal member. As mentioned earlier, one of the methods to keep him interested is to keep him informed. I also believe that if a member invests sufficient money in his cooperative he will be more interested. Perhaps we have made it too easy for producers to get the

advantages of cooperatives. I do not intend to get into the field of cooperative financing, but I do feel that a requirement for adequate financing is a desirable feature.

For years the organization for which I work required each member to own one \$20 share of stock. This could be purchased for cash or could be earned out of the producer's first dividends. If he did not buy a share for cash, his first \$20 worth of dividends were automatically credited to a share of stock, and he became a member.

In recent years, some changes have been made. The present bylaws specify that if a member has not been active for 2 years his stock is automatically repurchased by the organization. For the past several years, 20 percent of each member's dividends have been credited to additional stock purchases.

The latest change in the bylaws requires each member to own \$200 worth of stock, which can be purchased by transfer of revolving credits to stock. If that amount is insufficient, the stock can be paid for out of future dividend credits. The directors still have the authority to allocate 20 percent of member's earnings to purchase stock, over and above the \$200 requirement, until a total of \$600 is reached. I may be wrong, but it is my personal belief that a producer-member who has invested from \$200 to \$600 in stock will take more interest than if his investment is only \$20.

It is only human nature to take more interest in something if you also have money invested. We see proof of this every day. Did you ever see a car dealer drive any make car except the one he sells? One of the reasons Ford Motor Co. put their stock on the open market was to create more consumer support. In almost all instances where a person has money invested in the stock of a company he will use that company's products whenever possible. Ownership in a cooperative should induce the same or greater support and loyalty.

Briefly, what I have attempted to say is this: To have a successful cooperative, we must give our members something they cannot get elsewhere, either in the way of more money or more or better service. We have to develop in our members a feeling of ownership and of the responsibility that goes with such ownership. I know this sounds simple, but if a cooperative operates in this manner, I cannot see how a marketing contract could make any improvement in member loyalty. In my opinion if these things are not done, a marketing contract couldn't help much because the cooperative won't be in existence very long anyhow.

SESSION II

Thursday afternoon, May 3, 1962

Chairman: Gale Anderson

VERTICAL INTEGRATION AND MEMBER RELATIONS

How We Reach Members of Our Local Marketing Associations

Willis M. DeSpain

Members of our local marketing associations are reached in many and varied ways. Some of these methods are planned, deliberate, and intentional. Others are unintentional with no planning. It may be that neither those being reached nor those who are making the contact are aware of the communication which transpires. In other situations, the contact may be extremely well planned by the cooperative and communicated in such a manner that the member may be unaware of the contact.

Vance Packard, in his book, "Hidden Persuaders," ably discussed this type of positive contact. We use this indirect, or abstract, contact a great deal, and find it is most effective. But both the planned and the nonplanned contacts are important, especially since so many of these contacts may promote negative results.

For example, disorder, poorly maintained premises, untrained employees and ill-arranged merchandise, speak loudly and truthfully without use of a spoken or written word. This Hidden Persuader type of contact often makes the first impression, whether good or bad. And first impressions usually are quite permanent.

For the purpose of this discussion, let us divide methods of reaching membership into 10 classifications as follows:

1. The customer relationship
2. The use of mail and telephone
3. Field service
4. The annual meeting
5. Community night - or neighbor night
6. Special committees
 - a. Advisory committee to the board of directors
 - b. Member and public relations committee
 - c. Youth or education committee
7. The owner relationship
8. Sponsoring or promoting youth programs

9. News media - radio, television, and the newspaper
10. The member-to-member contacts

These are not intended to be listed in the order of importance, because the order of importance varies with communities. This order of listing, however, is the order representing the relative importance of the methods used by our association.

The Customer Relationship is the most frequently used of all methods of reaching our members. This, probably, is also true with most other cooperative organizations. There is no substitute for good customer relationships.

This is of even greater importance in a cooperative organization than in other types of business because the customer is usually also the owner. Many studies have been made to determine why people trade where they do, and invariably the result of the studies demonstrates that the service or customer relationship is the one factor that stands out beyond any other.

The farmer's preferences for services in most cooperatives are associated with selling, as well as buying. One such study made was, A Pilot Study of Farmers' Preferences for Marketing Services in Kingfisher County, Oklahoma, by Jerry Glenn West. In it, he found that over 70 percent of the farmers preferred the cooperative type firm and that much of the difference in preferences is caused by the services provided.

The quality of the product can no longer be the only determining factor to attract customers. As an example, there are many gasolines of top quality and performance; the difference is whether or not the customer receives good service. A little self-examination will prove that we buy where we like the service, personnel, and the manager of the place of business, rather than solely because of the product.

A pleasant environment also adds to good customer relationship. A very large proportion of our cooperative organizations have too long overlooked the importance of this factor. We have depended too much on the fact that the customer usually is the owner of the business and that he should trade with the cooperative, his business. The fact that he is an owner should cause us to be even more conscious of the need for good customer relationships. By all means, we should give every customer the "Red Carpet" treatment.

Contact by Mail is being used extensively by many business firms, especially by some insurance companies and magazines. By this method, a great number of customers and potential customers may be reached for a minimum cost. Since our association is a service association, the use of mail is a very valuable contact. Hardly a day passes without one or more items of mail going to each of our members.

Great care must be exercised in the selection of material to be mailed and must be kept brief. There must be a real purpose for each piece of mail

leaving the office. It must be clear to the receiver of this mail that the information is important to him.

The form of this mail must vary according to the type of material being mailed. We find that postal cards, because they are brief, receive first attention. When we use letters, we attempt to keep them brief, clear, and to the point. We use drawings, cartoons, and illustrations to act as "eye-catchers" and to add interest.

We do not have a regular Newsletter but go to the members only with material as we feel the need for mailing such material to them. A large amount of our mail contains such information as wage and hour requirements, Internal Revenue Service information, new changes of laws that would affect the cooperative, child labor laws, information on income tax laws, or any other type of information that would be needed by the local members.

The telephone should also be listed as an important means of contact with members. The telephone is used when information is too urgent to be handled through the mail. It is also used effectively to take care of individual problems which might arise.

Telephone contact is more difficult and requires a higher degree of skill and training than most other types of contact. This is a factor overlooked in many cases, and we have failed to recognize the value of the voice and the personality portrayed by the telephone. Effective use of the telephone has more possibilities than many of us have taken advantage of.

The Field Service contact is growing in popularity and use. In addition to our auditors, our fire service engineer and our claims representative, we also have a full-time fieldman serving our territory.

A fieldman is much more than a goodwill ambassador. He must be equipped with materials and a great deal of information. He should be able to cope with a wide range of problems and situations. He definitely should have specialized training in his field.

Those who represent us in the field service work are specialists; they have also been trained in member relations. The basic requirement is that they are in the field to be of help to the member in bringing him information, and solving his problems. They are not there for the primary purpose of obtaining more business for the cooperative.

The fieldman can profit from the teachings of Benjamin Franklin, who said, "If you would gain success, give freely of what costs you nothing - friendliness, sincere interest, and good council."

The Annual Meeting is a most valuable tool for reaching the members. While it is only once-a-year contact, it can be effective. The only time we of the Farmers Cooperative Grain Dealers Association see many of our members

is at our annual meeting. Therefore, we place a great deal of importance in this meeting and make a real effort to make it completely successful.

Advance planning, careful organization, a good program of speeches, entertainment, and an interesting business session are essential at every annual meeting. At our last one over 90 percent of our member organizations were represented by more than 1,300 member farmers.

Our association also helps our local cooperatives plan their annual meetings. Many helpful suggestions are received from some of these local meetings and passed on to others. A great improvement in annual meetings has been made in Oklahoma within the past few years, and we will continue to emphasize the need for additional improvements.

A Community Night or Neighbor Night is effective as a means of reaching neighbors in business, leading citizens of the town, and other nonmembers. This should not be a time for discussing business nor doing sales promotion work. Public relations and goodwill toward the cooperative and its members should be the only goal for the occasion. Cooperatives have used these special programs as a means of becoming a part of the community life, and many have taken their rightful place as the chief community leader as a result of such programs.

The use of Special Committees in contacting members is especially valuable for two reasons. One is that it involves additional people and brings in help and new ideas to do a job. Second, it is one of the few means of contact which gives opportunity for two-way communication.

Effective use of the committee requires planning, organization, motivation, and control. The Farmers Cooperative Grain Dealers Association effectively uses committees for many tasks, even down to the committee in charge of parking cars at the annual meeting.

The Special Committee functions also as an excellent training ground for its members. Members newly elected to the board of directors often have previously served on some of the committees. Not only did this help train them; it also gave them an opportunity to demonstrate their own initiative and ability.

In order to be successful a cooperative must operate as a business organization under the same economic laws and with the same degree of efficiency as any other business on main street. One of the few advantages we have is the owner relationship. Many of our competitors recognize this factor and see in it a source of powerful contact. This factor alone causes much fear on the part of our neighbors in business. In general, our cooperatives have either overlooked this source of contact or have been unable to capture its possibilities. It will not be until our members refer to the cooperative as "my" cooperative that we have tapped fully this power.

Oklahoma is one of the younger States, being only 55 years old. Only three cooperatives have celebrated their 50th anniversaries. This means that we are just now coming to the end of the first generation in our cooperatives. Many members attending annual meetings are charter members. Some directors have served on the board since their cooperative was formed. A few cooperatives have had only one president, and others only one manager. Because of this age factor, we have just recently begun to recognize the great importance of a good youth program.

Our association, with other statewide and regional cooperatives, sponsors a State cooperative speech contest among both 4-H Clubs and FFA Clubs. We are working closely with our member associations to promote contacts with youth. Some of the activities being promoted are:

1. Use a Junior Advisory Board made up of highschool students or young farmers
2. Use local youth talent for entertainment
3. Sponsor projects for FFA and 4-H Clubs and other youth organizations
4. Finance and sponsor youth to cooperative youth camps
5. Sponsor local speech, or other talent, contest
6. Provide trip to American Institute of Cooperation for local youth
7. Give place for youth on annual meeting program
8. Work closely with schools and colleges
9. Provide educational material for schools and libraries
10. Give scholarships

Our sister organization, Union Equity Cooperative Exchange, annually gives a \$4,000 4-year scholarship to Oklahoma State University to a selected young person. The only qualifications are that he or she must be a high school graduate and that the parents are members of a local cooperative that is a member of Union Equity Cooperative Exchange.

Contact by radio, television, and the newspapers is of benefit; however, there is opportunity for improvement in this method of reaching members. We make less use of these services than any of the others. When they are used we are primarily attempting to reach the general public. Announcements of special events and products and prices advertisements, are used to reach members.

We attempt to use radio, television, and the press more for news stories and special features with pictures, when possible. This proves much more effective than the advertisement type of contact. News people are always glad to get a good story about local events and people. We need to work much more closely with the news services in our communities.

As long as farmers have been talking over the line fence member-to-member contacts have been in use. This contact is probably more prevalent and more effective than many of us realize. It takes very little effort on the part of cooperative leadership to stimulate such contacts.

In discussing methods of reaching members of local marketing associations, I have made no effort to give detailed information on methods and procedures, since time would not allow. There are other effective methods of contacting members in addition to those mentioned here. All these methods of contact should be used.

Rensis Likert, in his book, *New Patterns of Management* comments on changes affecting management occurring in the American society:

"Supervisors and managers reported in interviews that people are less willing to accept pressure and close supervision than was the case a decade or two ago. The trend in America, generally, in our schools, in our homes, and in our communities, is toward giving the individual greater freedom and initiative. There are fewer direct, unexplained orders in schools and homes, and youngsters are participating increasingly in decisions which affect them."

These changes affect the cooperative and the type of contact needed to reach our members and potential members. No longer do we have the old country store, where we trade whether we like it or not. Today we have a wide range of choices, and we must help our members as they make their choices. This means that one of the most urgent needs of cooperatives today is to develop and maintain an effective program of education and member relations--a program sufficiently flexible to meet changing needs of a progressing community.

How We Help Patrons Understand and Support Our Regional Cooperative

Bill Bork

When it comes to the matter of influencing public opinion ... we are apt to confuse the general term, "public relations" with the more specific terms, "promotion"..."publicity" and "propaganda" ... which we confuse again with the very general term "advertising." And we can do the same thing with "member" relations.

When we are asked to explain the Farmers Co-operative Commission Company we often say it is composed of 130 member stations, covering roughly the southwest quarter of Kansas with a few in Northern Oklahoma and South-eastern Colorado. And since each station has a manager, this would mean 130 persons. But, since in addition to the manager, the member station is influenced by a board of directors made up of from five to nine members, it is quite obvious the "member" relations program must be made to appeal to approximately 1,000 persons. We can't stop here, however, for each member station is influenced by members, and we finally end up with about 50,000 farmers who must be considered in any member relations work.

There is an old adage which says, "Nothing succeeds like success." In this respect, the Farmers Co-operative Commission Company is somewhat unique.

Last year (1961)--not its best, incidentally--the Commission Company handled almost 61 million units of grain--that is, bushels of wheat and hundredweight of milo in a 40-county area where the competition from staunch, old-line grain companies has been as tough as anywhere in the United States.

Offhand, we might say that the Commission handles 100 percent of its members' grain. This is not quite true, however, since because of their strategic geographic location several members do deal considerably with other regionals. But if there is not a distinct transportation advantage due to this strategic location, the local member station deals exclusively with the Commission Company.

In other words, we enjoy an intense member loyalty. All factors being equal, we can rest assured of the members' business. This is shown by the fact that the Farmers Co-operative Commission Company, while smallest of the 26 regional grain marketing co-operatives in geographical area, consistently is among the top, if not the top, in volume of business.

Now the interesting question, and theme of this discussion, is "Why?"

This intense member loyalty perhaps may be traced back to the very beginning of the Commission Company in 1915--the early principle or belief that a farmers' marketing co-operative was a business and not a social organization.

The farmers of southwest Kansas saw their big problem as this: Each harvest they were forced to dump large quantities of grain on the market. They saw prices sag as these supplies went on the market and then saw prices rise again after the product was out of their hands and into hands of the existing grain trade. They wanted a larger share of this profit and saw their cooperative as a means of getting it.

Consequently, the policy has always been to return as much as possible to members in the form of cash patronage refunds. Until 1953, the Commission Company returned in form of cash proration 85 cents of every dollar earned. From then on, for several years during the period of very rapid expansion of terminal facilities, this cash proration was set at a minimum of 50 cents on the dollar. In the year just past, the patronage refund was made on the basis of 85 percent cash, when the Farmers Co-operative Commission Company made a total proration of more than \$3½ million.

One thing is certain -- when it comes to member relations money has a language all its own.

A large cash patronage refund is impressive, but I surely don't want to leave the impression that this is considered the most important factor in the member support we enjoy.

In fact, there is some feeling that the large cash return, which has long been a traditional policy, is actually secondary so far as the membership is concerned. Our members have never hesitated to forego proration in favor of a new facility or a new service.

Our members expect the Commission Company to do a good job of marketing their product. In a sense, the member expects the same from his co-operative as any of us expect from the particular automobile we buy. Regardless of make or model, we expect transportation. If we get what we were after in the first place, we're not too much impressed because this is what we expected, isn't it?

But the thing that really brings us back to the same place each time we replace our automobile is the service we got along with it. Thus, what may be called a secondary benefit is really the most important when it comes to building goodwill and support.

Just as a matter of course, our organization bends over backwards to make itself an efficient grain merchandiser. This was back of the move in 1953 when the company installed the first milling and baking laboratory ever placed in a terminal elevator. This had nothing to do with winning understanding and support of the membership. It was simply to do a better job -- something the membership expects.

I might explain right here another firm policy of the Farmers Co-operative Commission Company. We are organized from the bottom up and not from the top down. Our members own and control us; we do not own and control them. Every member group, every local co-operative, is an independent organization and as free as the birds. This is a fact none of us allowed by top management to forget for a moment. I can still remember the time I unwittingly referred in a bulletin to the "home" office. I was corrected emphatically, and since that time I refer to the location as the "regional" office.

Occasionally, our organization will run up against some bit of information which is of immediate concern to managers or boards of directors. This information goes out in the form of a suggestion ... rather than a directive.

This particular policy is a subtle thing, but I am sure that leaning over backward to preserve the independence of the local member is a big factor in the member support we enjoy.

The real factor, however, is the SERVICE the Farmers Commission Company renders above and beyond that normally expected.

In southwest Kansas, 45 years ago, the local cooperative consisting of a small iron-clad elevator, a pile of coal, and a couple of employees was a pretty simple operation.

Recently, I talked with a grand old board member who was retiring after 42 years on the board. He laughingly mentioned that the first really big decision that faced the cooperative was the purchase of a new truck. The manager wanted a new truck, one with a new-fangled cab. He begged for it because he almost froze to death as he delivered coal about the area in an old cabless model.

The board pondered in several meetings--and bought the truck. He contrasted this with the decision to build the first new 750,000-bushel concrete elevator.

At one time, most of the problems of cooperatives, like those of farmers, were confined within the line fence at home. Today, it is a vastly different story. Decisions are made in Washington--in the tax courts, in interstate commerce commissions, by common carriers. If you do not believe this, then you must be unaware of the new sedimentation test.

Therefore, service in this direction can become the most important factor in winning member support and understanding.

I would like to spend the remainder of my time in listing some of these services ... "above and beyond the call of duty services."

An excellent place to start is with our Department of Member Services. Many of you know Carl Witham personally. As Director of Member Services, he might be termed the "leave-it-to-me" man of the Commission Company, or perhaps as a trouble shooter.

Tremendously versatile, each Monday morning, he packs his bulging brief case and departs from the office to travel for a week -- and sometimes for week after week -- among the member organizations. He writes and explains amendments to bylaws and charters -- this and a thousand other things such as meeting with managers and boards of directors to advise and inform them.

As evidence of the high regard for Carl's unique member service, our association recently added another staff member to supplement this work -- a talented young man, Jim McGuire.

Our Traffic Department -- whose routine duties are concerned with the proper routing of farmers' grain and which, therefore, can be considered a cog in the marketing process, has recently taken on a new duty as an added service to members. It handles or files all loss claims for member stations -- a matter which once was a problem of the member. In addition, it has taken on an added job -- a campaign for better grain cars. Those of you who have seen some of the cars currently being furnished the shipper know full well what I'm talking about. They are a tremendous problem.

Each station has fought this situation individually without much success. Now, with the idea of rendering service, the Commission Company is collecting letters and complaints from managers along with pictorial evidence. This evidence is being presented to top management of the offending carriers -- not by a small cooperative here and there in the wilderness of southwest Kansas, but by a regional marketing organization with the size, the time, and the talent to make its voice heard.

We are hopeful this situation will be improved. If not, I am sure our members can look forward to a better and more equitable settlement of their freight loss claims.

Do members appreciate such service? They do!

The Commission Company is fully aware that an informed member is usually a loyal member. Each year, we hold a series of four district meetings to which are invited managers, directors, and key employees of local organizations. These men meet for dinner, and afterward Jimmy Dean, our general manager, spends some 2½ hours explaining various topics of interest to all.

Manager Dean prepares the agenda carefully to cover points which may clear up any misunderstanding or problems of members. The organization likes to let members know what's taking place. Rumors, half-truths, and idle speculations are not allowed to float about to grow more confused and distorted.

Do members appreciate this? Well, last spring some 750 of the approximately 1,000 managers and board members, representing all but 6 of our local cooperatives, attended the district meetings.

Just before harvest, we hold a half day managers' meeting at which the coming grain movement is discussed and plans for it made. In the fall, we hold an all-day meeting to bring managers and key elevator employees up to date on items of interest.

We publish a monthly bulletin on topics of general interest which goes to all board members, and a short managers' bulletin is mailed anytime something vital comes up.

So defining "patrons" as the boards of directors and managers of the 130 local member cooperatives -- and truly they are because they make the decision as to whether or not to support the regional -- this is what we are doing to help patrons understand and support the organization.

Now when it comes to that other definition of "patron" -- the 50,000 producers who are members of local co-operatives -- I'll confess we are not doing as much as we should.

We do make every effort to have a staff member of the regional present at local annual meetings to answer any questions or give out information of general interest.

We cooperate with local organizations on bus tours to bring producers and their wives into Hutchinson for a trip about the laboratory, the bulgar plant, and the elevator facilities so they can see what they own and understand the benefits from such facilities.

We are using institutional advertising in the Hutchinson News, the area daily newspaper. We cooperate with local organizations to buy radio time for this purpose.

And that's about it -- and we know it isn't enough. I'm sure in the near future we will be doing a great deal more to reach farmers. Reaching these members is a problem because there has been some feeling that the local cooperative should be responsible for its own member relations. Very few local cooperatives, however, can afford to employ a professional to handle member relations. And this is a job for a professional.

Our local organizations need this service and need it badly because there is evidence of a vast ocean of misunderstanding among producer members of cooperatives. Consequently, our regional is making a strong effort to devise a means of communication to reach this group -- to get across a message that is definite and clear cut.

How We Help Patrons Understand and Support Our Regional Marketing Cooperative

Frank Rambo

If I should ask each one of you, personally, why you buy a certain brand of cigarette, automobile, or any other item, you would probably come up with as many answers as there are persons present here today. Your

decision is based upon a multitude of things which many times cannot be pinpointed. Perhaps a TV program, a newspaper clipping, the casual word of a friend, or any one of a thousand other stimuli is the deciding factor.

In this day of high-powered advertising, we are constantly being bombarded with appeals to our thoughts and actions. No matter what the situation, we are either a salesman or a customer. We at Westcentral feel that our cooperatives, in order to be successful must be salesmen, for we have much to offer both our producer members and the general public.

Westcentral Cooperative Grain Company was organized in 1938 for the sole purpose of providing a fair marketplace for the handling of grain for the local grain cooperative and its producer members.

During all these years, there have been constant changes in the producing and marketing of our farm products. Farm life has changed until it is now the same as city life. Our farm equipment is as modern as its manufacturing counterpart. We have been efficient in farming -- far ahead of industry. Yes, we even produce more than enough food and fibre for our Nation; however, we share this agricultural abundance with the world in general. Agriculture does much to create goodwill among men -- for it is hard to get a man who has a full stomach to grumble or to fight.

But, with all these trends, our cooperative purpose has not changed -- we must still provide the fair market place for our agricultural producer members. We must do even more: We must give them the additional services they need to round out their local business enterprises and to enhance the earning power of the farmer member who is that local cooperative's patron.

Times do change but people do not! We must constantly be reminded that it is the individual who must understand our cooperative way of doing business. Until that man, whoever or wherever he may be, fully realizes the who, where, what, and why of cooperation, he is not a staunch supporter of cooperation. But, once we have been able to reach his reasoning zone, he becomes a personal salesman for his cooperative, both on the local and regional level, for he is the owner, operator, and beneficiary of that business.

We have often said that the public relations department is not the whole association -- but the whole association is the public relations department. This is equally important on both the local and the regional level.

As a regional grain cooperative, we reach our member associations each market day with a bid card for all their grain. But, in addition, we feel we can be closer to our membership with a personal telephone call. This call makes it possible to counsel with the local manager and to give him the benefit of any information available on the markets. Our merchandising men know these local managers and they know us. This personal contact has built us a reputation for fair dealing in the marketplace.

But to know a man, you must talk to him on his own ground. This we accomplish through several personal visits to each of our member association's managers throughout the year. True, we probably talk about fishing, hunting, and other subjects, but eventually we talk about our cooperative purpose and our services for the local cooperative. Here, we get to understand the local problem and, in turn, fulfill our cooperative purpose of jointly working out the solution with the member organization.

Because of the size of our trade territory, we maintain local buying offices and fieldmen. It is their duty to make daily telephone calls and regular personal visits and to relay information to the main office. This last feature alone keeps us in daily personal contact with each member organization.

Many times throughout the year we are privileged to attend local board meetings and to assist in local problems such as building programs, accounts receivable, and so on. Needless to say, this personal contact affords a means of injecting a better understanding of our regional into the minds of the directors.

Perhaps one of our best means of reaching the largest number of cooperators is through the local annual meeting. After we have cleared the first hurdle, the invitation to attend, we make sure that we know what we are going to say and then we say it. It is far better to prepare a 5-minute talk than to waste an audience's time saying nothing. Pick the subject matter so it will be of current interest, tie in the local story, and you have the climate set to tell the cooperative story and the part the local and regional play in today's agricultural economy for the benefit of the farmer.

We have often heard the expression -- "It is not what you say but how you say it that counts." This may be true, but I cannot heartily agree with the idea. Time is too precious today to be wasted. By all means, give me a good speaker but for Heaven's sake give me something to think about at the same time!

Each month, we publish Westcentral News. This is an 8-page publication with stories and pictures of matters pertaining to cooperation and agriculture. Local member activities receive special attention. Each issue is carefully edited in order to give our readers both sides of a story.

This publication is mailed, free of charge, to each manager and director of our member cooperatives and to hundreds of others in fields closely related to cooperatives and agriculture.

Newsletters supplement Westcentral News when we need to reach our membership immediately. With so much adverse publicity being given cooperatives, we urge the use of the Newsletters to tell the true cooperative story. A person has to have facts before he can understand any issue. Don't be afraid to let your viewpoints be known on current topics affecting our cooperative way of doing business. You can rely upon the cooperator to use his own judgment and react according to his own dictates and conscience.

I do not recommend the whole-hearted use of such powerful letters in any business concern. However, it is our practice at Westcentral to use the mails to the fullest extent. Our letters are personal and to the point. We answer every letter promptly and confirm our conversations by letter. A letter of appreciation or a word of praise goes a long way in showing people you are interested in them. A letter would not be complete without at least a word or two about cooperation.

We honestly believe that we can best help our members to understand and support their regional marketing cooperative, Westcentral, through services that we render to them.

We have kept our facilities and marketing practices as current as tomorrow's news broadcast. Our various terminal elevators are equipped with the most modern machinery available. We added truck facilities when grain started moving in volume over the highways. A few years ago, we constructed barge loading facilities at Omaha. Our search for new grain markets is constant. Volume is the life blood of our organization.

Our insurance department carries complete cooperative coverage for all types of cooperative businesses. Again, we tell the cooperative story through the department's various services.

We have done cooperative auditing for years. At the present time, we are in the process of installing data processing equipment in order to give our membership the cooperative benefit of the latest in bookkeeping procedures.

Other services include such departments as financing, claims, public relations, and legal and tax assistance. And are geared to play their particular part in the cooperative story.

We encourage our membership to visit our office and facilities. We leave no stone unturned in striving for a full understanding of the purpose for which we came into existence in 1938. By working with our membership and through our services, we reach an understanding of good cooperative practices and principles.

And, through member understanding, we achieve membership support.

It is the degree of membership support which measures the success of the cooperative. Each year, we have been able to broaden our services, increase our volume, and return to our membership a substantial patronage refund. But, we are not satisfied nor willing to rest on our laurels. We have only scratched the surface in the cooperative field.

How We Help Patrons Understand And Support Our Regional Supply Cooperative

Morel Stientjes

Let me begin with a statement of the philosophy governing the entire operation of the Farmers Elevator Service Company, Fort Dodge, Iowa. The objects and purposes of our organization are spelled out in our Articles of Incorporation. I quote:

"The objects, purposes and powers of this corporation shall be as follows:

"Section 1. To promote the welfare of farmer-owned and farmer-controlled organizations; and to promote the welfare of the members of such organizations; to advance good fellowship of the members of this corporation; to meet and discuss problems of mutual interest; to devise ways and means to save the members of said organizations unnecessary expense in the management of their respective businesses; and in a similar way to promote the welfare of farmers in their farming operations."

Since this company's inception in 1921 it has held to the view that its sole responsibility--its very reason for existence--is to assist in building strong, local cooperatives wherein complete autonomy is held by the local membership, and whose sole efforts are devoted to promoting the welfare of farmers in their farming operations.

Therefore, I suppose I could sum up the whole topic assigned to me by saying: We help patrons understand and support our regional by developing economic programs which will help to build strong local associations.

I can illustrate this application of our basic philosophy with some of our current activities. Please bear in mind that there are in our organization dozens of programs working concurrently toward this same goal.

Let us begin, then, by looking at our current advertising program. I have some blowups of our print-media campaign for you to analyze somewhat in the light of my previous statement.

We conduct this fairly vigorous campaign in farm magazines. It follows a "Farm Report for the Month of....." format; it carries a dominant illustration, a minimum of copy heavy on the institutional side, and a "soft-sell" approach on the product. Perhaps most significant is the fact that the regional identification is completely nonexistent. Attention is directed to the local association and its value to local member-patrons.

In addition to print-media, we also use radio and TV to cover our market area. The same philosophy governs the copy approach in these media as well.

I have here, too, some copies of a recent direct-mail experiment we tried. This newspaper format is built entirely around local association identification and its value to the farmer in his operation. A summer issue along these same lines is ready now for distribution--again on a direct-mail basis.

Another significant program, I feel, is our in-service employee training, conducted on behalf of local associations. We break our market area down into districts for administrative and sales purposes. Each district conducts a monthly, coordinated program to upgrade employees, managers, and local directors in their jobs. This program culminates each year in our "Lakes Conferences."

These "Conferences" are in the form of three 3-1/2-day sessions conducted on the shores of Lake Okoboji, in Northwest Iowa. Two of these sessions are scheduled for the second and third weeks in June each year, and the third is held in September. The first session in June is for cooperative employees, the second is for managers, and the meeting in September is for directors.

Here--in a somewhat relaxed setting--the whole family is included in activities of an educational and social nature. Professional training in various fields is covered in 5-hour morning sessions; late afternoon is for unscheduled activities and the evening is devoted to social events.

The real mission of these conferences is to upgrade the people to make the local association stronger and more dynamic.

A recent addition to this in-service training is the management training school begun last January at the request of our membership. Limited to an enrollment of 20 manager-trainees, this course of instruction is to run over a 12-month period covering such areas as principles of management, philosophy, law, accounting, marketing, finance, human relations, management controls, and so forth.

The intent here is to give broad coverage to the subject matter in 2-day sessions meeting monthly at our schoolroom in Fort Dodge. Following formal classroom instruction in these various subjects, practical application assignments are given to be completed in the home stations in the interim period between formal sessions. The end product of this school

will be management potential in the local associations ready--in part, at least--to assume a more responsible role.

Since we are a regional farm supply organization, you can well imagine what the technological revolution on the farm has done for us. More and more products have been introduced which require detailed understanding of their use. Here, then, is still another avenue wherein the problem of understanding and supporting our organization is approached.

The local association's need for product information and guidance has stimulated dozens of "product-information schools," which we conduct for the benefit of local associations. Many of these are conducted at our headquarters in Fort Dodge, where laboratory facilities and visual aids are readily available. An equal number, though, are carried to more convenient locations closer to smaller groups of association employees. Currently, for example, a basic feed school series is being conducted in seven locations around our market area.

Many of these schools are conducted by our own staff specialists. We do not hesitate, however, to bring top-notch specialists in whenever it is warranted. Our primary goal, again, is to do everything within our reach to strengthen the local association and keep it economically strong and ready to compete.

At the risk of making my point too well, let me detail my last illustration in our major field, feed manufacture.

An axiom of the military is to keep the supply lines as short as possible consistent with maneuverability. Surely this applies to business as well. The greatest benefits accrue to the consumer when the manufacture of products is brought to the point closest to the consumer.

This has been our guiding policy. In the more than 30 years we have been a factor in the feed business in our market area, we have advocated and promoted the manufacture of feed at the point closest to the consumer. We have built our various programs in such a way that the local associations could make their own decision relative to the extent they wished to participate.

We have three routes available to the local in feed handling: (1) Complete manufacture of the feed line; (2) mixing complete rations based on central-plant concentrates; or (3) handling central plant production only.

Typically, local associations choose these routes as their capital permits. Most often, our locals start as handlers of our central-plant-produced feeds. As volume grows and finances permit, we encourage the building of facilities to move into locally mixed feed production. And, as volume permits, we like to see the entire manufacturing process moved to the local level.

Our regional, then, is relegated to the position of procurer of raw materials, advisor of technical services, and the medium through which market-wide advertising and sales promotion is channeled.

The central feed manufacturing plants exist only to supplement the facilities of the local association wherever needed to manufacture special feeds not economically produced at the local level. As technology advances in this field -- as in any others we are engaged in -- we will continue in our practice of moving the manufacture of these products closest to the consumer.

I could elaborate on other programs, but they would only reflect again the basic philosophy by which we as a regional supply organization exist. We feel we have had some success in helping our patron-members understand and support our organization by developing economic programs that strengthen the local association, and then by communicating the fact that we are steadfast in our primary mission.

How Cooperatives Have Contributed to the Economy of Colorado

William E. Morgan

In discussing this topic, I shall first quote Colorado statistics and then interpret them in terms of what they mean to the State.

Colorado Statistics

Cooperatives do a big business in Colorado. I didn't realize how big until the data for this speech were reviewed. Typically, we use only one co-op or one community as our reference base. But what is the total story of cooperatives doing in excess of \$300 million of business in Colorado? That's more than \$1 million a day for each normal working day of the year.

I would like to start by emphasizing the Agricultural Marketing Act of 1923. This act was the first enabling legislation in which farmer cooperatives could organize within the State for the express purpose of benefiting the farmer in marketing his product and buying raw materials.

Under this Act, there are 114 cooperatives operating in Colorado with membership of more than 50,000. Total assets of firms are above \$31 million, and they're doing a gross annual volume of over \$104 million. Cooperatives may be formed in Colorado under other laws, but these are by far in the minority.

Besides the 114 farm supply, marketing, and service cooperatives in the State, we have 15 regionals with headquarters out of State. During the last fiscal year, these 129 cooperatives have shown a net business turnover of more than \$166½ million in Colorado. (About \$500,000 a day, on the average.) Membership in these cooperatives has totaled a little over 63,000.

Two-thirds of these cooperatives (35 in number) marketed for their members beans, peas, dairy products, fruits and vegetables, grain, soybeans, meal and oil, livestock and livestock products, poultry products, sugar products, wool and mohair, or various other farm products with a value of net sales exceeding \$141.8 million. In other words, two-thirds of them did 85 percent of the total business.

We also had 95 of these cooperatives furnishing supplies to farmers. These supplies included building materials, containers and packaging supplies, farm machinery equipment, feed, fertilizer, meats and groceries, petroleum products, seed, sprays and dusts, and various other supplies, for a net sales of more than \$20 million.

We had 77 of these cooperatives performing services that had a value of net sales of more than \$4.7 million.

If I quoted no more figures than these, you could easily see that the contribution made by Colorado cooperatives is quite important to the State's economy.

In addition, we have three basic cooperative lending institutions in Colorado; the Federal land bank associations, the production credit associations, and the various credit unions. According to the latest figures available, the 14 Federal land bank associations in Colorado made a total of 692 new loans for a loan volume exceeding \$9 million during the last fiscal year. The average size of these loans was \$13,161.

During 1960, our eight production credit associations made 3,439 loans amounting to over \$85 million. Members' invested capital in our PCAs amounts to almost \$4.5 million. At any time during the year, our PCAs have in excess of over \$50 million worth of loans on the books.

Credit unions within Colorado are quite numerous. We have, at last count, a little over 300 active credit unions with a total membership in excess of 167,000. Loans outstanding to members amount to \$67.5 million, and the average loan for a credit union member runs to about \$581. The total amount of money lent by these institutions during a year's period is in excess of \$165 million.

It is evident from these data that cooperative credit organizations in Colorado make a very important contribution to our State's economy.

From their meager beginning in 1937, Colorado rural electric associations have grown from 1 to 24 associations. Today these associations have over 34,000 miles of line; they are serving 84,038 consumer points, and have a total investment of almost \$106.7 million. An important fact to note is that they employ over 648 local people and have a payroll in excess of \$3.4 million while paying 1960 taxes that amounted to \$940,468. Incidentally, in 22 counties, the associations are the only agency furnishing electricity; in 9 other counties, they are the largest local electric tax payer.

In 1950, the first REA telephone loan was approved. At that time, 59.3 percent of the farms in Colorado had telephones. By 1958, it was estimated that 31,000 farms, or 73 percent of all in the State, had telephone service. Undoubtedly, this figure is higher now.

The first REA telephone loan in the State was approved in 1951. As of January 1, 1960, REA had approved almost \$5.4 million in loans to eight borrowers in the State. They report that these loans enabled the borrowers to serve over 2,800 new customers and to provide improved service for another 5,800 existing subscribers--this to be done over 4,091 miles of additional line.

With these loans, the associations have increased the number of exchanges they have and have installed the dial system in a number of localities.

There are over 500 mutual irrigation companies operating in Colorado today. In the South Platte Basin alone, more than 100 mutual companies serve over 700,000 irrigated acres. These co-ops provide water service at minimum cost. The ability to supply this vital input at reasonable cost is an important factor in making irrigated agriculture one of Colorado's major industries.

Before summing up this section, I'd like to point out another cooperative we have in this state that is important to rural and urban people alike, the Associated Grocers. In 1935, this association did nearly \$2 million worth of business. Year by year, volume increased until by 1956 their sales were in excess of \$50 million.

Associated Grocers are headquartered in Denver with warehouses in Pueblo and Albuquerque. In 1961, the two Colorado distribution centers served 520 stores in Colorado, with wholesale sales amounting to \$83 million and retail sales amounting to around \$175 million.

This association sells and promotes a large number of Colorado products. Last year they sold approximately 25 million pounds of Colorado beef,

15 million pounds of Colorado sugar, \$2 million worth of Colorado-grown fruits and vegetables, and \$8.5 million worth of Colorado dairy products.

Of course, there are a number of other types of agricultural cooperatives in this State such as insurance, artificial insemination, and farm management associations.

Also represented in Colorado are the Associated Press, Associated Florists, and the Railway Express Agency. Retailer-owned wholesale houses have been established to provide services for their members; and truckers, lumber dealers, and restaurant owners have organized associations. (The dollar volume of business data recited at the beginning do not, of course, include the figures for these organizations.)

Value to Colorado

Whenever I think in terms of how cooperatives have contributed to the economy of Colorado, primarily I'd like to think of the contributions cooperatives make to the farm itself.

What would the profit structure of our farms be today without our Colorado farm cooperatives? We are likely to answer this question in terms of the savings made through patronage refunds and returns from invested capital as being the major economic benefit to a farm. But I think the major economic contribution that comes from our farm marketing, supply, and service cooperatives is that it allows the farmer to use his production resources in better combinations for increasing maximization production profits.

In some instances, the farmer is able to extend his operations beyond the farm gate--to market his managerial talent and his labor, if you please, beyond that required inside his farm--and always he has what the engineer would call an "additional degree of freedom" in making his managerial decisions. He has this because his membership in a cooperative means that he is his own master to a degree that cannot otherwise be the case.

Then there is the aspect of community benefit, which must not be overlooked when one is considering the contributions cooperatives make to the Colorado economy. I refer, of course, to the additional employment opportunities that become available.

Career employment opportunities with cooperatives in this State are better than they have ever been in the past. A good indication of this is the number of cooperative organizations whose recruiters come to the campus looking for young talent to be employed by their associations. It is worth mentioning, too, that the rate of turnover in employment in local farmer cooperatives is relatively low; and this encourages a more community-minded citizen at the same time that it produces a stabilizing effect on the local economy.

I would not want to leave the subject of intangible values without paying my respects to what our cooperatives achieve in giving the farmer a better understanding of the external business situation into which his operation must fit. As he extends his decision-making beyond the farm fence, he is introduced to a wider scope of competition, to the demands of the consumer, to the implications of domestic economic policy, and to that of other nations as well.

The Place of Education

Colorado State University is assisting agricultural cooperatives in their contribution to the State's economy through its three branches, which are resident instruction, extension education, and research.

In resident instruction, a basic course on "cooperatives" is taught during each year in the second or winter quarter. This is a 3-hour course dealing with the history, philosophy, and underlying principles of cooperatives in general, and farmer cooperatives in particular. Some phases of cooperation are taught in other agricultural and business courses in agricultural prices, agricultural policy, principles of accounting, and business management.

Colorado State University prides itself in saying that its campus is the State. Through its county organizations the latest research and educational information is brought to our farmers and ranchers. In our cooperative educational work, we have two major projects at present: Our annual cooperative marketing workshops and our extension project in farm management.

This last winter, CSU personnel held eight cooperative marketing workshops throughout the State in collaboration with the Colorado Cooperative Council and our own State Department of Agriculture. These workshops were designed to assist directors and managers in a better understanding of cooperative business principles with major emphasis on the relationships among the community, members, directors, and managers.

The Extension Service also has assisted farmers in the northeast section of the State, the Arkansas Valley, and the San Luis Valley in forming three farm management cooperatives. The three associations have just recently employed two supervisory fieldmen. These associations are similar to those now in existence in Illinois, Iowa, and Kansas. They are designed to assist our farmers and ranchers to make better management decisions and to have the tools to make a proper analysis of their farm business.

At present, the Experiment Station has two research projects under way. The first one is an economic study of values of irrigation water in competing uses in the upper Colorado River Basin. This is a joint USDA-Experiment Station effort.

This inquiry aims to determine the ranges in value of water used for irrigation and for competing purposes and to evaluate the legal and institutional framework within which water is allocated. The information developed should enable us to lend valuable assistance to our irrigation mutuals in determining how better to allocate water to their member users.

The other project is what we call a regional marketing project where we are cooperating with other western States. In this we are concerned with setting up economic criteria from which our marketing cooperatives can make adjustments in compliance with the structural changes that are occurring in our marketing system today. Through this type of research, we hope to give our marketing associations additional economic information on which to make sound economic decisions in their long-range planning.

Progress in the development of sound educational and research work has been possible through continuing friendly relations with the directors and managers of individual cooperatives in our State. With this valuable support, we can anticipate future development of extension, teaching, and research programs for cooperatives at CSU and, thus, increase our combined contribution to the economy of the State.

Future Planning

Up to this point, I have discussed contributions made to the farm firm, to the community, and to the State. Now, let's take a speculative look into the future and see what may be done to expand the economic contribution that can be made.

Our agricultural industry is in a stage of relatively rapid transition. All of us have heard much discussion of how the size of farm firms is changing and that we've increased our production efficiency to the point where today we are feeding 27 people per farmer, or almost three times as many as a generation ago (10 in the year 1940).

This situation creates a challenge to agricultural cooperatives in that supply and marketing needs are also changing, as are the services needed by today's farmers. In fact, many leading farmers are concerned as to the economic needs their cooperatives can fulfill. They are thinking more in terms of monetary benefits derived from services rendered by the cooperative than from actual patronage refunds. Directors and managers should take note of this fact and should concern themselves with developing business programs that fit the needs of their members.

Today, a number of our cooperatives have moved to what we call the maturity stage--that is, they are sound financially, they have well-organized experienced management, and they have boards of directors well versed in their particular positions. But it is no time for complacency, and a board must not be content to steer by its wake.

Time must be taken to visualize the future demands of association members, and we must be always on the lookout to see what new services can be added, or which other services can be discontinued in order to keep the organization in gear with the dynamic economy in which it operates.

Finally, as we lay our plans for the future, our Colorado people need a better understanding of the cooperative's contribution to our State's economy. We need to increase the understanding of our citizens generally about cooperatives, about their methods of doing business, and the reason for organizing them. Our neighbors need to understand fully the tax structure, and this goes for our own members as well as for the general public.

Admittedly, I am departing from the subject assigned to me, and yet my thesis has such universal application that it is relevant to the narrow subject at hand. Stated in its simplest terms, my thesis is that the tithe of freedom and survival is continued self improvement.

People in my line of work are reminded each September that there is a brand new group to be educated--a fresh, "start-from-scratch" group. This is in addition to the never-ending need for re-educating those who have already been through the process once, and sometimes twice.

It requires no person of unusual perception to see that the tithe of freedom and survival to us as a Nation is continued self improvement in this world of fast-moving political competition. And so it is with cooperative organizations too, in their world of fast-moving economic competition.

Continued, unremitting education of your own people - as well as of the public generally - is the only answer to your survival. Thus I see this 2-day clinic of yours as serving a larger purpose than just a quick charge of the batteries, important as that is.

The encouraging thing about it is that this is just one part of a broad educational program conducted by the American Institute and its companion organizations, and you must not get the fatal idea that the job is done, ever. The day after you lay it aside as something finished, so that you may get on to something more important is the day before you leave the scene for good.

SESSION III

Friday morning, May 4, 1962
Chairman: Bill Bork

BUILDING STRENGTH THROUGH LEADERSHIP TRAINING

CCA's New School of Cooperation As a Member Relations Program

Harold Hamil

The founders of Consumers Cooperative Association decided early that cooperative education was of vital importance. Five years after the founding came the first attempt at a formal educational program.

This first attempt was a 4-week course for cooperative employees. Similar courses were offered in subsequent years, and by 1938 the program had become so important that CCA set up an education division, with Merlin Miller in charge.

An outstanding personality of those early schools was V. S. Alanne, who had been active in cooperative educational work in Wisconsin and Minnesota. Mr. Alanne had taught in vocational schools in Finland. In this country he became interested in the philosophy of cooperation and for many years was recognized as one of the most dedicated and articulate spokesmen for cooperatives.

From those early-day, 4-week courses, taught by Mr. Alanne and others, the CCA school program was gradually broadened to include courses in petroleum handling, finance, bookkeeping, and other fields directly related to cooperative management and operation.

In recent years the program has included short courses, built around virtually all the commodity lines CCA handles. By the end of our 1962 school year, persons having attended one or more of these courses will number in the neighborhood of 5,000.

Until late in 1961, CCA was without special facilities for housing its schools. In November of that year we transferred the school's program to a new building about two miles from the central office building in suburban Kansas City.

This new building, so far as we know, is the first such facility ever provided by a farmer cooperative in the United States. Some of the inspiration for it came from the schools maintained by the cooperatives in Great Britain and Scandinavia.

Its location on a somewhat secluded spot is in line with what the European cooperatives have found desirable. Our new building includes dormitory facilities for 54 persons. What it amounts to is a school with a motel attached.

We have three classrooms, each capable of handling a class of 40. We have an auditorium that seats approximately 100, three conference rooms, a cafeteria, a library, a large demonstration room, and some undesignated space.

I will say just a word here about the demonstration room. It is large enough that we can drive a truck or tractor into it and spacious enough that we can conduct demonstrations with tractors and other pieces of major equipment. As mentioned, we have some undesignated space; but from all indications, this building is none too large for the kind of program I am confident we will be following within a year.

Among the short courses offered in the past few months -- all of them for one week -- have been courses devoted to petroleum, fertilizer, feed, agricultural chemicals, bookkeeping, finance, appliances, building supplies, propane, and general management.

Our staff includes Dr. J. D. Miller, director of the school's program and two other full-time instructors, as well as secretarial help and staff to operate the cafeteria and maintain the building.

In almost all of our courses, we draw on specialists from within our own organization or from outside firms. In our demonstration room, we have a tractor that has been especially equipped by the Ethyl Corporation for demonstrations during our petroleum courses.

While our 1-week courses have been popular and well attended for many years, we detect a decided increase in interest among our member associations since we brought the new building into service. One Iowa cooperative has had 18 employees at one or all of our courses in the last 3 months.

Someone has asked how we can measure results. This, of course, is not easy. Among the men who have attended our schools over the last 10 years, however, are men who have grown tremendously in their jobs. I can cite two managers who started with CCA with absolutely no background in cooperative work. Each of these men has taken advantage of our school program at every opportunity, and each today manages a co-op ranking among the first 50 in total volume of purchases from CCA.

One of these men has built a large co-op almost from scratch in a period of 9 years. I think it is safe to say that practically everything this man has learned beyond what he has picked up from practical experience has been in our CCA school.

Some questions have been raised as to whether we might have been better off if we had located the school in our central office building or immediately adjacent to it. There are arguments for and against the location at some distance from the central office.

In favor of the isolated location is the fact that the men are generally free from the distractions of the central office building. They are less tempted to steal away from their school work to visit with department heads and others with whom they have business dealings. And there is the final argument that a group of men living and studying together is bound to get more out of a week of school than if they only attended classes and then broke up to go to separate motels or hotels to spend the nights.

We hope that within a short time we can work more closely with the land-grant universities in developing some new programs. We are especially hopeful that our new facilities will permit us to put more emphasis on the development of cooperative leadership and on the training of cooperative executives. We expect to use the school facilities to train personnel within CCA as well as men and women employed by local member associations.

An employee of a local cooperative attending one of our courses pays a \$40 attendance fee for 1 week. With fees at this level, CCA must assume some of the cost, because it is impossible to provide facilities of this kind, along with good instruction, and expect to cover all expenses out of tuitions paid.

Getting back to the question of the benefits from an educational program of this kind, about the best thing we can say is that CCA has grown steadily over a period of many years. Some of this growth -- perhaps a large portion of it -- must be attributed to the fact that CCA works hard at the job of acquainting the managers and employees of local associations with the services that these associations offer through their affiliation with Consumers Cooperative Association.

How We Train Employees To Project a Favorable Cooperative Image

Ray Franklin

Training employees to project a favorable cooperative image is not the easiest job we have with some of our employees. However, we feel that we must create a desire in an employee to project a favorable cooperative image, before he is susceptible to any type of training program.

A training program is easier if you have good, loyal, high-type employees to start with. We aren't that fortunate in all instances. The same as in your company, we have a few employees who never should have been hired. But they were and we have to live with them until they retire or are otherwise removed from their employment according to rules agreed to in the union contract.

This fact, and the fact that we have a union where seniority is more important than ability, caused us to change our method of selecting personnel. Our selection program is about as scientific as we can make it or as it needs to be. Any man we hire must have the potential of being a leadman or foreman. We require written applications. References are checked closely, and applicants are screened based upon information in the application and that received from the references. Applicants selected are called in for an interview. Questions asked are designed to find out what we need to know about him, his background, and his family, and many other facts we feel are important.

Based upon the interview, about four of the top applicants are invited in and given a series of written tests to measure general intelligence, sociability, mechanical and job aptitude. These tests are of little importance unless you have a person who is trained to interpret the result. And, you could easily overemphasize the test, if you overlook the other factors involved.

All applicants must also pass physical examinations which are paid for by the company.

One applicant is selected to fill the position, and assigned on a temporary basis. He has 30 days under the union contract to prove that he is capable of learning and performing satisfactorily. His supervisor is responsible for his on-the-job training.

If he fails on the job within 30 days, he is notified that he is not qualified, and is released. However, this has not happened since we have been using this system.

Over the next period of years, after we have been able to up-grade our employees, we expect to have more success with a public relations training program for them.

However, we aren't waiting until then to do something about a program of training our employees to project a favorable company image. We have done many things to help them appreciate the company more and to improve employer-employee relations.

We believe an employee is happier when his basic needs are met. Therefore we have made efforts to meet the recognition, security, opportunity, and belonging needs of each employee. As I discuss our program, you will see that most of these needs are being met.

An employee will work better if he understands the what, why, how, when, where, and who of his job. He needs to know who his boss is, what his job is, how to do his job, when and where he is expected to work, and why his job is important to the overall operation of the company. When we have done a good job of training him and explained these other points to him, he is more likely to project the image we want.

However, we feel that this is only part of motivating him to project the favorable image we want. From this point, we do many little things which contribute to an employee's attitude towards the company and management. All our employees know that the door to the office of any member of the management staff is open at all times. Just knowing they can go to the boss at anytime helps.

Here are some of the things which we feel contribute to the overall training of employees to project a favorable image:

1. We pay good wages which always helps employees to appreciate a company and we pay double time for Sunday work.
2. We publish an employee newspaper -- a three page mimeographed monthly publication.
3. We give each employee a handbook covering employee benefits, what the company expects from the employee, and what the employee can expect from the company.
4. We have established, and enforce, a set of work rules covering employee conduct on the job. Penalties for violation of these rules range from a minor offense notice to immediate discharge. All employees have copies of these rules, and must sign a statement that they understand them. The employees appreciate knowing they benefit from these rules as much as or more than, the company.

5. We have a regular procedure for training a new employee. The company engineer, office manager, or production superintendent goes through a checklist with each new employee, making sure that each phase of his training is covered. This helps get him started right and prevents problems later.
6. We have several social activities for employees and their families. These include a picnic during the summer and a Christmas party. This year we plan to cover the annual report at the Christmas party. (Our annual meeting is held at about the same time.)
7. We send each employee a meat package and a turkey for Christmas.
8. We have an award program. A pin is given to each employee upon completion of 5, 10, 15, and 20 years of service. The pin is the same for each award, but the setting is changed.
9. We mail a special birthday card to each employee on the anniversary of his birthday.
10. We mail a letter to each employee, at his home address, upon the anniversary date of his employment. This letter is signed by the general manager. It's a little thing in a way, but if they don't get it, they ask about it.
11. One of the most important things we have done is set up a labor committee. Two men from management and two from the union are on this committee, and they meet regularly to discuss any problems either may have. Employees know the value of the committee and appreciate having the opportunity to meet with management. It has improved our employee relations considerably.
12. A safety committee made up of two men from the union and two from management inspect the plant regularly. Any unsafe machine or equipment is reported and repaired at this time if not already reported.
13. We give each employee a safety manual, which outlines safe practices for each job in the plant. Each employee must read and understand the safety rules and must report that he has read and understands them. We try to explain why safety is important to them as well as to the company.
14. We provide a number of employee benefits, including the following:
 - a. Group hospitalization -- family plan, comprehensive 70, Blue Cross, and Blue Shield -- all paid by the company.
 - b. Group life insurance - paid one-third by employee and two-thirds by the company.

- c. Retirement plan -- employee pays about one-third -- a really good plan that will pay top benefits in our industry.
 - d. Workman's compensation.
 - e. Purchasing privileges for auto parts, appliances, and the like at wholesale prices.
 - f. Vacations -- 1 week after 1 year, 2 weeks after 2 years and 3 weeks after 10 years.
 - g. Paid holidays -- seven a year. If employee works he receives two and a half times regular pay.
 - h. Other leave such as sick leave, and leave for a funeral in the family.
15. We have a policy of making promotions from within the company whenever possible.

How has all this worked out for us? It is as hard to measure in our company as in yours. But two examples will indicate how well we have accomplished our job of training our employees to project the right image of the company.

When we need to hire a new man, we have plenty of applicants. Usually these men are neighbors or friends of present employees. Our employees feel that our soybean plant is a good place to work. And we like to feel that they tell others how they feel about it.

On one occasion we advertised a vacancy in the daily paper. We had taken more than 70 written applications for the position by 10:00 a.m. and about 200 men visited the plant to inquire about the opening. This indicates that we have a reputation for having a good place to work, since there has been no serious unemployment at any time in the Mason City area.

Recently, at the plant, one employee (one of the hard-to-train kind) made some remarks about the company the other employees didn't think he should make, and they reported it to the management. They disapprove of such remarks, neither do they approve of one employee endangering the jobs (or safety) of others.

We have had to discharge several employees but, in all instances, the other employees approved of the action. They knew, probably before management did, that the action was justified.

Maybe some of these things cannot be used by your cooperative to help train your employees to project the right cooperative image. We feel that they have helped us improve relations with our employees, our membership, and the general public.

How Our State Council Conducts a Management Training Program

Orval Lindell

One of the most distinctive features of our modern society is the predominance of organized group effort. Attainment of various objectives is seldom sought by individual efforts. Rather, groups of people combine their efforts to maximize the attainment of group and individual objectives.

Management training is one of management's most powerful tools in developing an effective organization, and training is important at every level of the organization. The need for an orderly approach to management training has taken firm roots in the thinking of cooperative leaders.

Good objectives in a management training program for the people working for and with farmer cooperatives is important to the successful operations of every cooperative business. A training program should be as far-ranging and versatile as possible. It should range from an orientation or induction program for new managers and new directors to the technical field or specific operations of a cooperative business that constantly face the manager with years of experience.

A complete management training program has two phases: (1) Current problems in today's operation of the cooperative and (2) problems of tomorrow. When you look at these two phases you can see that you have a known and an unknown with which to deal.

Management in most farmer cooperatives has become increasingly complex, and each year calls for greater professional skill. Early cooperative managers and directors (the management team) had little opportunity to attend training courses on the responsibilities and authorities of management. Some managers attended special clinics on a specific problem or commodity, which definitely helped in the development of the management we have today. Many managers and directors, however, rarely attended such short courses and schools, relying instead on experience to be the teacher. In some instances the experience-teacher was quite costly.

The cooperative management team today needs complete understanding of the many facets involved in successful business operations. To this end, more and more cooperative directors and managers are taking a look at themselves and evaluating their own business operations. They are beginning to realize that in the past too many cooperatives have built their business by following some other cooperative they considered successful.

A good program for developing management is important to the future of every cooperative today. But what is a good program and what does it cover?

A good program should train and inform managers, directors, and members, as well as the many publics with which they deal.

Training may take place through:

1. A publicity program -- newspapers, radio, TV (through editorials and advertising).
2. A public relations program -- meetings, service, and community organizations.
3. A member relations program -- meetings, newsletters, tours, personal contacts.
4. An employee relations program -- meetings (educational and social).

In addition programs that guide the operation of the cooperative may involve people in the community, members, patrons, employees, directors, and manager. Among these are:

1. The financial program of the cooperative.
2. Inventory control of the cooperative.
3. Customer relations.
4. Community relations.
5. Accounting and bookkeeping practices of the cooperative.
6. Wholesale purchasing and merchandising.
7. Budget control of the cooperative.
8. Employee job descriptions.
9. Claim adjustments.
10. The insurance program of the cooperative.
11. Payroll procedures and practices.
12. Legal aspects affecting operations of the cooperative.
13. Taxes and other assessments.
14. Board and membership meetings.

There are many sources of training material and assistance in a management training program. According to an FCS survey, regional cooperatives are ranked as the prime source of management training materials, with State agricultural colleges and State councils and national cooperative organizations next in that order.

Many FCS publications are furnished regularly to State agricultural colleges, State and national cooperative organizations, and regional cooperatives for use as management training materials.

The Iowa Institute of Cooperation was organized October 22, 1951, to encourage and conduct educational programs and activities that will increase the effectiveness of farmer cooperatives.

In the Institute we have a three-part program for training and developing cooperative management in Iowa.

First is the Annual Cooperative Directors and Managers Short Course, co-sponsored with Iowa State University. The program for this 2-day session is a high-level, looking ahead program, geared to problems facing cooperatives both today and in the near future. The program is one that assists in developing a professional management team. It was started in 1954 and has been held each year since with much success. Regional cooperatives help by supplying instructors. Staff members from FCS, Federal Extension Service, State Councils, Iowa State University, and other Universities in the Midwest have also assisted.

In conducting such a program many techniques have been used, including group discussions, lectures, workshop sessions, problem solving, and roundtable sessions. From all indications the best method in conducting such a short course has been group discussions or roundtable sessions using qualified discussion leaders. To give you an idea of the topics selected for such sessions, I shall list a few:

- Duties and responsibilities of directors
- Analysis of financial statements
- Legal responsibilities of directors
- What directors should know about cooperative laws
- Administration of credit
- Preparation of a monthly financial report
- Manager-employee relations
- Budgeting and planning in cooperatives
- Planning for sound growth of your cooperative
- Developing and using written board policies
- Developing and using written managerial policies
- Determining and meeting managerial needs for coming years
- Effective managerial organization and delegation of responsibilities for efficient operation
- Appraising and improving financial structures of local cooperatives

Do you distribute savings and earnings legally?
What rights do the members of your cooperative possess?
Problems of mergers and consolidation of cooperative businesses
Preparing and using the annual business audit report of the cooperative

Before we can set realistic training goals, we must know what can and what cannot be taught. All any program can do is to cause individuals to change their thinking or judgment so that they return home and evaluate their own operations in such a manner that desirable changes will be made.

If the environment within the cooperative organization militates against effective management, no amount of training will induce changes that will be in the best interest of the cooperative.

The second part of our program includes area or county association meetings. These are meetings of cooperative directors, managers, and employees at which programs similar to the short course are conducted. We find that these are very beneficial but must be limited because of staff and time problems.

This part of our training program is geared more to strictly current problems facing cooperatives, such as taxes, financing problems, employee training, amendments to the articles and bylaws of cooperative, public relations, and member relations. One of the best accepted topics has been a discussion of the "Report to the Members" at the annual business meeting of the cooperative. Reports are important in creating understanding, but in many instances members know too little about the business they own because of poorly prepared annual reports.

The third part of our training program is a series of district meetings of the Institute. We hold a total of 14 district meetings annually, and invite directors and managers of cooperatives to attend and participate in the discussion. We have found this an effective way of focusing attention on such areas as board and management policies, the many uses of the annual audit report, and the importance of a good public relations program.

There are no perfect, final solutions to problems facing management of our cooperative. We can only find possible alternatives and then make a decision as to which one is best. We of the Institute, along with the various organizations, agencies, and institutions that have helped us, like to think that we have in some way helped build better cooperatives by working with the managers and directors (the management team) to prepare them for the future.

The Federal Extension Service Director Training Project

George S. Abshier

I shall discuss this subject under the following general heads:

I. Need for the Project

Marketing costs account for about 66 percent of the consumer purchase value of farm products or about twice the farm value of these products. Therefore, it is logical to look at the firms in the marketing system for potential improvements in the efficiency of the system.

Since it is imperative that farmers rely on agricultural marketing firms as markets for their products, it is also imperative that efforts be made to improve the operation of these business units. Marketing firms--including assemblers, processors, transporters, storers, handlers, wholesalers, and retailers--employ more labor than is employed in the production of all agricultural products.

It is the function of directors of marketing firms to determine their policies, goals, and objectives. The skill with which directors perform this function determines the success of each firm's operations.

In contrast to directors in nonagricultural industry, directors of agricultural marketing firms are often nonprofessional and nonbusiness oriented. Written material regarding directors has usually been descriptive in nature, explaining the qualifications desirable for directors and the general role of directors. And recently there has been a growing amount of literature on directors' liabilities and responsibilities.

Up to now, however, there has been little concerted nationwide effort to develop a program for instructing and training directors of agricultural marketing firms in their function, as a part of the management team, in the basic following fields: principles of policy making, organizational development, division of responsibilities, and leadership responsibilities.

The competitive nature of agricultural marketing firms--particularly cooperative marketing firms--and the increasing necessity to refine management and directing functions of these firms has pointed up the need for a program that is more comprehensive and complete and that provides greater depth of training for directors.

II. Purpose or objectives of this contract

- A. To develop teaching materials and methods that will assist directors of agricultural marketing firms to develop greater proficiency in performing their functions.
- B. To determine effective methods of teaching directors of agricultural marketing firms and to test such teaching methods through application.
- C. To devise effective methods for use of State extension marketing specialists in developing and conducting educational programs with directors.

This project takes a different tack from that of previous work pertaining to directors of agricultural marketing firms. It is concerned with the relationship of directors in terms of business management and the development of criteria distinguishing the separate functions of directors and of hired management.

This project seeks to make more clear the varied ways in which the role of directors in business management reflects the interplay of changes in the financial structure, in shifts of technology which make necessary long-range planning, in executive and corporation structure, and in terms of business and financial controls.

III. Plan of Operation

The project is developed in three phases. Phase I involves the development of information, or extension materials which include information, on (1) the basic principles of policy making, (2) organizational growth and development, (3) criteria for selecting and utilizing data for effective planning and controlling, (4) criteria for separation of functions of directors and operating management, and (5) leadership responsibilities of directors.

In addition Phase I will involve the development of extension materials and teaching techniques which are effective in training directors of agricultural marketing firms in dealing with their responsibilities.

Phase II involves testing the materials with firms of different types, both cooperative and proprietary firms, and including firms marketing different commodities. Phase II will also involve perfecting the extension materials and teaching techniques following the testing.

Phase III involves training State extension personnel in the use of the material. This phase will involve supplying extension specialists with the subject matter, providing techniques that have been found to

be effective in training directors, and suggesting an overall extension program in director training. This phase will be conducted primarily through the workshop method.

IV. Progress to Date

The project is being conducted at Oregon State University by Leon Garoian and Arnold Hasley. An advisory committee of extension, industry, and research personnel consults periodically with Dr. Garoian and Mr. Hasley at their request.

The development of subject matter and program is progressing extremely well and appears to be at least even, if not ahead of, the proposed schedule. An outline of the complete subject matter has been prepared and reviewed with the advisory committee.

In addition, approximately half the proposed draft of the subject matter has been completed. Part of the testing has been done with some selected firms in Oregon. Preliminary observation indicates extremely enthusiastic acceptance of this subject matter and program.

V. Potential Impact of this Project

Although it is difficult at this stage to predict the type of reception, acceptance, and use of material of this nature, I make the following prediction: Coöperative marketing firms, almost regardless of size or type of operation, will find the subject matter developed in this project will be most valuable and usable.

The subject matter developed could easily become the Bible and required reading for all directors of cooperative marketing firms. In addition, the program of indoctrination, training, and information supplied should have a noticeable impact on the level of knowledge, understanding, and action of the directors of these firms. More thorough knowledge and understanding can provide the basis for, although it does not necessarily guarantee, more effective direction of agricultural marketing firms.

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